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Legislators prepare for tough decisions

Saying they have no doubt that the state budget shortfall is the major issue facing the Legislature as it convenes Monday, legislators representing this area agree they will have to dip into the rainy day fund.

Gov. Janet Napolitano wants to use \$263 million of the \$685 million rainy day account.

"The state has a rainy day fund for a reason," Napolitano said in a press release about her budget cut proposal. "It's raining on our economy right now."

While she supports using some of that money, Rep. Lucy Mason, R-Prescott, worries about unforeseen emergencies such as wildfires or federal cuts.

The Republican-controlled Legislature agrees that it is time to use part of that rainy day fund, but it disagrees with other aspects of the Democratic governor's package. Legislative leaders are proposing deeper cuts.

Local legislators are not necessarily in sync on the harder questions, either.

Napolitano estimates the \$10.6 billion budget for the fiscal year ending June 30 is \$870 million in the hole, while Republican leaders in the Legislature estimate it is \$970 million in the red.

State Treasurer Dean Martin has warned that the state will run out of money several months before the budget year ends if lawmakers do not make cuts. And experts predict the budget problems will continue into the next two years.

Republican leaders want 10 percent cuts throughout the state government system. Sen. Tom O'Halleran, R-Sedona, said the cuts actually will feel like 20 percent now because legislative leaders did not call a special session earlier to deal with the problem.

He and Rep. Andy Tobin, R-Paulden, both called for special sessions this past year as it became evident that a slowing economy was going to produce a budget shortfall.

School bonds

While Republican leaders oppose borrowing, O'Halleran and Mason figure the Legislature will have to do some amount of bonding to pay for new school construction. O'Halleran noted that Arizona's universities already do it, even for maintenance-related projects.

"Some bonding is probably not a bad idea, but I don't know if we should go as far as the governor wants to take it," Mason said.

Napolitano proposes issuing bonds to cover all school construction this year - about \$400 million. She said most other states do it, too.

Tobin said he seriously considered supporting bonding for schools, but then calculated that by the ninth year of debt service, the state would be paying the same amount as it would today in cash.

"My concern is we're setting a bad precedent," he added.

But he figures the majority of players will agree to it, so he will push for only short-term borrowing.

Legislative appropriations committees conducted unusual pre-session meetings for three days last week to discuss a variety of proposals and hear from department heads. They did not come to any kind of agreement.

Tobin is disappointed he has not heard leadership talk about an economic stimulus package that could include ideas such as an income tax credit for new homebuyers, or tax credits for the lumber industry.

Off the table

Local legislators say some areas should be off-limits to cuts.

Mason opposes transportation project cuts, and noted that childcare subsidies are a necessity for parents trying to get off welfare.

"Don't cut from the kids," Tobin said. That includes education and health care.

O'Halleran opposes cuts to education as well as transportation projects.

Tobin would like the Legislature to put a new transportation revenue source before voters, noting building roads will only cost more in the future. That also would stimulate the economy, he added.

Border security is another important issue the Legislature should discuss this session, Tobin said. Mason cited renewable energy ideas.

O'Halleran said transportation needs and property tax reform are broad-based issues the Legislature needs to discuss. He wants to find a way to take real estate speculation out of property tax valuations for permanent residents. He opposes Sen. Jack Harper's proposal to roll back property tax values to 2003.

While he does not regret recent tax cuts, O'Halleran says a bill to make temporary elimination of state property taxes permanent is premature during this budget crisis.

Tobin says he already signed onto the bill. Without it, the statewide property tax will return in 2009.